

STATE OF NEW YORK
DEPARTMENT OF AGRICULTURE

CALVIN J. HUSON, Commissioner

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Circular 94

Manual on Coöperation

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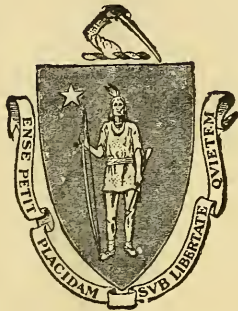
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INTRODUCTION

There is little doubt on the part of the producer or consumer that some form of coöperation must soon be adopted to reduce the present waste and cost of food distribution. Just what coöperation is or just which form of it is most adaptable to our needs in New York State does not appear to be well understood and this circular is published with the hope of making the meaning of coöperation as clear as possible and to show some practical forms which are meeting with great success.

A PRIMER OF COÖPERATION

BY M. W. COLE

Coöperation is the working together for any desirable end.

Coöperation is not a *new idea*. It has been successfully applied to every form of business and life. Our school system and our government itself are in reality large coöperative enterprises.

Coöperation in business means any joint undertaking where the profits from the undertaking are shared by all engaged in it.

Coöperation is *not* a joint stock enterprise where the profits go to the stockholders *only*.

A coöperative company may engage in any kind of business but no one may have more than one vote in directing its business and no stockholder may receive more than 6 per cent. on the money invested in such stock.

A coöperative company divides the profits of its business, after a reserve fund has been created, with *all* who have helped to make that business.

A coöperative company may become incorporated in New York State with only \$500 capital and only five members.

A coöperative company does not make its members liable for a dollar more than the amount of stock each one holds.

A coöperative company is profitable to the producer — *because*:
1. It enables him to buy his farm supplies at wholesale and it gives him and his neighbors a standing and a credit in the business world which few individuals ever attain alone. One man can not lift a ton without some machinery, but twenty men can do it easily by lifting together. The purchasing power of twenty men used at one time and on one article is many times greater than the power of one man at twenty times or on twenty articles. Farmers are manufacturers. They should buy all raw materials (seeds, fertilizers, machinery, etc.), at wholesale. Until they coöperate and form organizations they buy at retail and sell at wholesale. No other business could live a year if it did this.

2. It enables the producer to sell his product at a better or a more stable price. The average farmer sells his produce on the

local market for what he can get. He has neither reliable information or necessary confidence in other markets. Through a business organization he may learn true market conditions and by grading and standardizing his produce through organization he may command profitable prices as well as earn and keep business confidence.

3. It makes better farms and better farmers. Better farms and better farmers are possible only as the business of the farm is made more profitable, and that can be done only by adopting modern business methods.

A coöperative company is profitable to the consumer — *because*:
 1. It enables him to buy household supplies at a considerable saving below the local retail price and it makes possible a fairly constant supply of perishable food at fair prices by creating a constant and educated demand. 2. It makes a better market for the individual producer and by education of its members it makes them familiar with the costs of distribution which each member shares and to lower which each member strives, thereby increasing his individual profit.

3. It insures the quality of the goods handled. The quality of the goods the consumer gets depends now on the character of the merchant and the amount of profit he demands. In an incorporated company this quality depends solely on the demands and tastes of its members.

But: No coöperative company can succeed unless it has a loyal membership. In the ordinary stock company the coöperation is with money only. In the coöperative company there must be a spirit of loyalty as well as money. All the members of a coöperative company must be more loyal than the stockholders of an ordinary stock company. Loyalty is more necessary than capital. Ten members who will get in and stick to a coöperative company are better than two hundred who get in and kick. If the management of a coöperative company does not suit the members they should change the management and not leave the company.

How to Begin: Nothing ever starts itself. Some one must have the push or the pull to get a few people together. Then arrange for a meeting at some convenient time and place. Ask the Bureau of Coöperation in the Department of Agriculture at Albany to

send an organizer to attend this meeting. Have every one understand the purpose and the benefits of an organization. Ask every one present to take stock. When five hundred dollars are subscribed file a certificate of incorporation with the Secretary of State. This will cost ten dollars. Then start doing business.

Every association however will have local problems to consider and many of the details of both organization and of the conduct of the business will have to be adapted to the needs of each new company.

WHY AN INCORPORATED STOCK COMPANY

There seems to be a general misunderstanding of the reasons for forming a stock company and becoming incorporated. People generally feel that incorporation in some mysterious way means increased business risk.

Many granges in this state are doing a buying business among their members and many farmers in various localities have various social organizations through which they buy many of their supplies. They seem to fear, however, the organization of a corporation and are quite slow to take up this form of business activity.

The coöperative stock corporation and its incorporation is necessary and much safer than the loose membership association. It gives a business standing and business credit and it relieves the stockholders, the directors and the committees of any personal liability. A membership society or a membership association which buys or sells supplies through a committee of its members looks safe but it is not. The members of such a committee if they make orders for goods or make a contract for sale of produce are each individually responsible. In the incorporated stock company they would only be liable to the extent of their stock holdings.

BUREAU OF COÖPERATION — BOARD OF AGRICULTURE,

SCHENECTADY, N. Y., *Jan. 20, 1914.*

DEAR SIR.—I delayed sending you desired statement because of the fact that our balance sheet is not yet available. However I dug up these few figures that are given; they are absolutely correct. I will make sure of your receiving a copy of our official returns, when they are endorsed by our members. The quarterly meeting is held next Wednesday night. If you should desire to visit any of our meetings or wish to have any information on any point please let us know. Any kindred group is welcome to the same. Please overlook any errors in statement in the way of spelling, etc. The bulk of our directors are shop-workers by day, though directors (or grocery clerks) by night.

Yours for coöperation,

(Signed) JOHN C. BELLINGHAM,
Secretary Educational Committee.

**THE CITIZENS' COÖPERATIVE SUPPLY COMPANY,
SCHENECTADY**

BY J. C. BELLINGHAM

The coöperative movement found expression in Schenectady by the starting of the Citizens Coöperative Supply Company. The impulse can perhaps be found in the massing together of workers in the vast plants located in this city, where a high degree of skill is demanded. Coöperation and inter-exchange of ideas being a matter of daily routine it was natural that those methods be used in the homes of workers for the solution of difficulties common to the working class. Added to this, a certain amount of Idealism not within the scope of this article, and we find fertile ground for the founding of a coöperative association.

The preliminary meetings were called and a small group of fifteen women and men responded. Investigation was made of all ventures of this kind that had been launched in the United States, if successful, their methods; if unsuccessful, why. A set of rules

were drafted based on the knowledge gained and finally they agreed to incorporate under the laws of the State of New York. A charter was obtained December, 1912, nine members being the number with one or more shares paid up. The rules adopted place the value of the stock at five dollars per share, payable at fifty cents down and twenty-five cents per week, also an entry fee of fifty cents per member is charged. A limited number of shares can be held by each member and "one member, one vote" prevents monopolistic control. This rule also provides for the lower paid worker coming in, and encourages him to take an active part in the affairs of the company.

The rules and by-laws are largely modeled on the "Rochdale Plan," so called from the pioneers of the British Coöperative, their success being notable. The Board of Directors are elected by the general meeting of the members, the term of service being one year. An inventory is taken every three months, a balance sheet made, and audited, auditors to be others than directors, profits paid in interest on stock capital, and dividend on purchases made, and the whole account is turned over to the quarterly general meeting for acceptance or rejection.

The group did not grow very fast, investigation was the keynote of the movement, and intending members wanted to see "something doing" before they invested. It is significant that the first money spent was for a supply of pamphlets containing a reprint of an article on coöperation that had appeared in a magazine. This was distributed in large numbers. They also sent to the British Coöperative Wholesale Society for a book on coöperative bookkeeping. A solid foundation was sought for and "Education" was chosen as such.

On May 10, 1913, the membership was fifty and it was resolved to make a start in business and 100 pounds of high grade coffee and three chests of tea were bought. This was retailed at one of the director's houses, but room was needed so on May 31 we moved to a room in an office building on the third floor. A small stock of nonperishable groceries was added. The store was fitted with shelving and counters by the members, who also served as clerks during the time it was open in the evenings and Saturday afternoons. At this time it was decided to continue

along conservative lines, only stocking small quantities of goods when the members had shown they wanted them. This insures a fresh stock. A decided benefit in the voluntary service was that each clerk was able to tell intending members of the advantages of coöperation.

It was resolved to pass the first quarterly balance sheet without dividend as we had not been three months in the retail business. The first week's sales had been \$10.20, first month's \$92.65. September 30, the end of financial quarter, showed a business done from the first of \$1,081.97, a stock of groceries in hand of \$432.61, a balance in the bank of \$188.34. The membership now stood at 133, and a dividend of $4\frac{1}{2}$ per cent. on purchases, with interest at the rate of $3\frac{1}{2}$ per cent. per annum on stock capital was declared. During this quarter a delivery system was started, orders to the value of one dollar and over being sent out, Saturdays only.

Membership and business grew and Labor Day saw the store moved to a place on Liberty Street. The voluntary service was continued for a time but on December 1 a woman clerk was hired to keep the store open the whole day. A week's trial was sufficient to show the step was justified, the directors having to give more time than ever to the fast growing trade. Three vans were required to deliver the goods Saturdays and are proving inadequate. Perhaps the best idea of the growth can be secured from the balance sheet for the quarter ending December 31, 1913:

Membership	221
Sales	\$2,715.48
Stock in hand	977.62
Balance in bank	199.60

This is after paying off completely the cost of store and office fixtures, valued at over \$100.

The directors have run a strictly cash business. The largest stockholder in the company is a member with six shares. Not a cent of money has been borrowed at any time. This has been accomplished in the face of an acute industrial depression. The coöperative idea is firmly rooted and its believers look forward to the problems of the future with the faith that carried it through the past.

ONE COÖPERATIVE SUCCESS

BY L. C. TUCKERMAN

In March, 1912, Mr. C. E. Thurston, of New York, and Mr. W. Y. Velie, of Marlborough, called upon a number of farmers in the district from Newburgh to Highland to discuss a plan for coöperation among fruit growers of the Hudson River Valley with a view to improving our marketing conditions. The result of their efforts was a meeting of some forty men in Milton, when the subject was discussed and a committee of five appointed, of which I was one, to draft a constitution and by-laws for a Coöperative Association, and report at a meeting a fortnight later.

The name Hudson River Fruit Exchange, Inc., was decided upon with headquarters at Milton, because from that point we could get better telephone arrangements than from any other.

The committee finally adopted the following preamble:

"The object of this Exchange shall be to encourage the coöperation of the fruit growers of the Hudson River valley for the protection and advancement of their common interests.

First. By securing and disseminating such scientific and practical information as shall promote the general advancement of the fruit growing interests in this district and shall tend to the improvement of the quality and quantity of our products.

Second. By securing such legislation as may be advantageous and preventing that which may be detrimental.

Third. By securing such improved facilities in transportation as shall tend to give us more expeditious and economical distribution of our products.

Fourth. By endeavoring to secure a better and more uniform system of packing and package.

Fifth. By devising some system of marketing our products, as shall open up and develop markets, and to give the growers a fair and remunerative return.

Sixth. And endeavor to obtain such improved system of crop reports as shall furnish accurate information concerning production, thereby enabling the fruit growers to know the exact situation.

Seventh. By coöperative purchase of such supplies as are needed by the members.

We determined that it would be advisable to incorporate a company, venturing slowly, as this was a new deal to us all. We set the capital stock at \$2000 divided into 100 shares at twenty dollars each — no member to own more than four shares. Stock does not carry voting power. Each member has one vote only in the Hudson River Fruit Exchange, Inc.

The government is vested in an executive committee of five who were chosen in 1912, one for three years, two for two years, and two for one year. As these terms expire members are elected for terms of three years. We thus always have three men familiar with the work. The committee annually, from its own members, appoints the officers for the year. All are subject to recall by the Exchange.

Three articles of the by-laws of most importance are:

Art. VI. Members of this Exchange bind themselves when consigning fruit, to ship only to commission houses or auctions duly designated by the Exchange. They also agree to ship all fruit up to grade under the label of the Exchange, and fruit not up to grade without the label.

Art. VII. Fruit sold through the Exchange f. o. b. shipping point or on track shall pay to the Exchange a commission of 3 per cent. of the gross price. In such cases the Exchange stands behind such sales and guarantees the price to the grower. The members reserve the right to negotiate private sales on which no commission shall be due the Exchange.

The last sentence of Article VII caused much discussion and many members feel that it should not be in, and we have made efforts to have it removed, but I regret to say that it still stands. I shall take up this matter later on.

Art. VIII. At the end of each fiscal year, after all expenses of the Exchange shall have been paid, the executive committee shall from any surplus remaining, declare a dividend not exceeding 5 per cent. on the par value of shares issued. The entire balance of such surplus shall be distributed among members who have shipped fruit through the Exchange during such year in proportion to the value of their respective shipments.

It was May before we were incorporated and ready to begin work. As secretary-treasurer it devolved upon me to find a manager. Answers to advertisement were varied and curious, but a man in Minnesota seemed to fill the bill, though many members felt that any one totally unacquainted with this region would never do. But this man's references were so good and his letters so clean cut that I wired him to come on, and we have signed with him for the third season. I tell you this because the manager is the heart and soul of any coöperative concern.

It was June when he took hold, an utter stranger in the community, with thirty scattered members willing to try an experiment. That was about the size of it.

Our commission men were chosen with a view to concentrating our shipments to prevent competition with ourselves and to let buyers know just where our fruit was to be found. The houses chosen were naturally those we were used to and had confidence in.

The custom in our section has been for such houses to pay their agents 3 of the 10 per cent. charged the farmer for selling. We arranged with most of our houses that the Exchange be made agent and receive that 3 per cent. on all produce consigned by members of the Exchange. That was to be our source of revenue.

Mr. Hilderbrand, our manager, arranged to supply complete market reports to our members each morning by phone. Until then few of us had been able to get any reliable reports, and the custom of the many local buyers had been to use this ignorance very much to their own advantage. For instance, those buyers receive from their houses in berry time, ten cents per crate for buying, and each morning receive word as to what they shall pay that day, let us say for strawberries. Supposing the price given them be ten cents per quart. Under the old system the buyer paid what he could make the grower accept, and pocketed the balance. The Exchange entered the field and paid the full daily price as well as giving complete market reports, with the result that for the first time in our section the local price of berries was kept on a par with the wholesale prices in the Eastern markets.

In this connection comes in the last sentence of article VII of our by-laws which reads "The members reserve the right to negotiate private sales on which no commission shall be due the

Exchange." Members received the service of the Exchange in market reports and daily prices, and being fully posted would sell to outsiders at those prices to save the 3 per cent. which they would have paid if selling through the Exchange. They refused to consider that it was the Exchange which made those sales possible, and stated that they were in it only for what they could get out of it. How much fairer to all it would be if all sales f. o. b. paid the small commission to the Exchange, and how much stronger the union would be.

In 1912 our fall fruits were practically failures, and we took up the buying end. Oats were then selling locally at sixty-six cents per bushel. Mr. Hildebrand landed the first carload at Milton direct from Minnesota at thirty-eight cents. Cheered by that success he began on bran, middlings, scratchfeed, flour, etc., and that first winter sold twenty carloads at a saving of some \$2500, to our members. We now buy our flour at about \$5.25 per barrel landed at our stations of a grade that we can not duplicate there for \$7.50.

We then turned to spray materials and fertilizers. Average prices for commercial lime-sulphur had been \$9 to \$10 per barrel. We cut it to \$5. We also furnish sulphur and lime to those who cook their own stuff at about the same saving.

The first year we bought some 250 tons of chemical fertilizer of all sorts at an average saving of \$5 per ton. This included a goodly amount of ground rock (acid phosphate) which, as you know, sells around \$12 to \$14 per ton and pulls down the saving average.

On all these purchases the members paid 3 per cent. to the Exchange.

The first season our actual paid-in cash capital was about \$500. And on that we did a business of over \$110,000. And we ended our first year showing a small margin over and above all outlay, but with savings profits to the members on purchases and sales of several thousand dollars.

Our second year started with about \$1200 with which we did a business of over \$232,000. Of this some \$30,000 was f. o. b. sales by the Exchange. Strawberry and pear buyers came to us and stayed through the season. The ordinary commission house

considers 500 crates of strawberries a day as a large business. There were many days last season when the Exchange sold 800 to 900 crates a day for its members.

About 3,000 barrels of pears were sold to England and a beginning made with apples. Sales covered a wide territory, as our fruits were shipped as far west as Wisconsin, and south into Florida. Some ten carloads of currants were sold experimentally.

We have bought to date some twenty-five carloads of feed, and twenty-one carloads of manure at a saving of about 25 per cent. The purchases have amounted to about \$11,000, which does not include this year's fertilizer, nor spray materials, upon which we have even lower quotations than last year.

We now have eighty-four members, and the Executive committee has decided to recommend that our capital stock be increased, in order to make room for those who seem to want to join us, also with a view to providing capital for greater work.

It seems certain from the experience of this year that next fall we shall hire cold storage in New York City and keep our own man there to bill out our apples as wanted for our widening markets.

There is one thing of great importance in building up a business of this sort and that is the choice of a manager. It takes a man's whole time and he must be paid enough to make it worth his while to hustle and grow with the business. A man at from \$125 to \$200 a month to start with will be a better investment than the fellow who is only worth \$50.

THE EXTENT TO WHICH COÖPERATION IN EUROPE IS ADAPTABLE TO AMERICAN CONDITIONS

By F. H. ALLEN and C. C. MITCHELL, of the American Commission for the
Study of Agricultural Conditions in Europe

To what extent is European coöperation adaptable to American conditions? This depends upon several things. 1. *The relative conditions*, not between Europe and America as a whole, but between certain countries in Europe and the corresponding States in America which most nearly resemble them in government, character of the people, climate, crops cultivated, distance to market, land tenure (whether operated by the owner or tenant), size of the farms and conditions generally. Example: Coöperation as practised in France will meet the needs of New York State, that in Denmark is similar to that in Wisconsin, etc.

2. *The kind of business* done by the coöperative society has a great deal to do with its adaptability and it may be said in a general way that business of a similar character in Europe can be done in a similar manner in America, or vice versa, provided other fundamental conditions are not too divergent. The Citrus Fruit Growers Federation of Valencia in Spain operates substantially in the same manner as the Citrus Fruit Exchanges of California. Each does an enormous business with operations extending over a large field. They are based upon local societies of fruit growers who agree to furnish all their product to the Federation, which attends to the collection, grading and packing, transportation and sale in the consuming centres under the supervision of its own agents. Each maintains a bureau of quotations and market information, secures proper accommodation from the transportation companies and intercedes with the government to see that its members are not discriminated against in legislation.

3. *The size of farms*, and density of population. Coöperation succeeds in small, densely populated, intensely cultivated countries like Switzerland, the Netherlands and the German states, and also in the sparsely populated, extensively cultivated, semi-arctic large farms of Russia, and in the semi-tropical regions of Spain and Italy, where the character of the people is as different as the

climate and the crops. Provided the owners of medium sized or large farms find difficulty in getting their produce to the consumer without having too large a part of the price paid by the consumer absorbed by intermediaries, they have found it almost as greatly to their advantage to coöperate as it is to the advantage of very small farmers to coöperate. They have the additional advantage of fewer members to keep in accord in proportion to the amount of business done.

4. *Liability — limited or unlimited.* The form of unlimited liability, still followed in Germany and some of the other countries which first adopted coöperation, is not likely to be looked upon with favor in America, nor has it been followed in the more recent and successful coöperative organizations among people who are democratic, progressive and individualistic, like the people in France and the British Isles. The members of coöperative societies or joint stock corporations organized with limited liability, are only responsible for the acts of other members up to a certain specified amount, agreed upon. In adapting the European coöperative methods to American conditions the sort of changes necessary are of this type, and when we compare the laws and constitutions under which some of the most successful coöperative societies in France, Great Britain and Denmark are operating, with those under which the most successful associations of a similar character in America are operating, little difference is noted.

5. *Tenure of land and permanency of occupation.* The trend in Europe is from tenancy to proprietorship, the dividing of very large estates, their sale in parcels to small landholders who take up farms of moderate size which may be operated directly by the owner and his own family, who then join into coöperative trustees. The tendency in America is almost the reverse — from proprietorship to tenancy and from medium sized holdings to large estates, through the combining of small farms. The proportion of farmers owning their own land at the present moment is not so very different in Europe from that in America as may be supposed, and if the present tendencies continue there will soon be more tenant farming in America than there is in Europe. The system of absentee-proprietorship is bad for agriculture and tenants who change from one farm to another every year or two

do not form a good membership for coöperative societies. On the other hand, the establishment of coöperative societies in our rural communities may tend to diminish roving tenancy, in fact it has accomplished this result in the European countries.

6. *Rapidly changing conditions.* In both Europe and America education, scientific methods, transportation and manufacturing progress, and the taking up of the surplus of virgin agricultural lands throughout the world have so changed and are so changing that agricultural conditions to-day are not what they were a few years ago. For this reason the farmers in Europe have been combining and going more and more into the coöperative method of conducting their business for the last thirty years until now it is estimated that perhaps one-half of the agricultural operations in Europe are conducted on the coöperative principle. This fact alone would seem sufficient to warrant us in carefully considering the advantages to be gained by adopting this method of conducting agricultural affairs.

7. *Parent associations* such as the "Syndicats Agricoles" in France, the "Sindicatos Agrícolas" in Spain and "Consorti Agrari" in Italy, which were started about thirty years ago as societies for purchasing farm supplies and agencies of a social character similar to our Granges, have been used as the foundation on which to build up all manner of coöperative enterprises in these countries. Through the close acquaintanceship of the members and their experience in working together, a great deal of time and risk was saved in starting new associations for insurance, agricultural credit and the marketing of farm products. In France particularly the membership of these new associations has been limited to that of the "Syndicats," and if any one desires to become a member of an agricultural credit society or of an insurance association, he would first have to be admitted to membership in the "Syndicats Agricoles."

Our Granges ought to be able to initiate and federate all kinds of coöperative business enterprises which it may be to the advantage of farmers to undertake, and it is likely that such a policy might go a long way toward preventing the failures which might otherwise result from bringing together people who have had no experience in working in common.

8. *Agricultural Credit Banks* were first adopted as the foundation for coöperative development in Germany. The Landshaften, or Land Mortgage Banks, being started as associations of borrowers among owners of large land holdings, at a time when it was difficult for them to get loans on their lands from outside sources. The Reifeissen Banks, which were formed by associations of small borrowers to provide themselves with short time loans, secured by the collective guarantee of all the members and made on the basis of personal character. The character of the people and the conditions under which these banks were started were so radically different from ours, and also from those obtaining in France, Denmark and the British Isles, that these special conditions should be considered in speaking of the German system. The people were many of them socialistic or accustomed to communal activity and others were imperialistic — there was very little idea of democracy among them. There were no banking facilities such as our farmers enjoy, but the people were suffering under the usurers to escape from whose grasp they formed the credit associations. Their first need was borrowing facilities, and marketing and the purchasing of supplies were secondary.

Our conditions are almost the reverse in every respect. We have a democratic, individualistic, fairly successful lot of farmers, who are more concerned with the question of taking advantage of collective purchasing of their supplies and the joint marketing of their produce and the enjoyment of the luxuries of modern civilization than with the bare necessities of life. They are already served by a large number of small country banks distributed throughout the country, in many of which they are the stockholders and directors, and from which they are receiving a reasonable service at fair rates of interest.

Owing to the large number of German-Americans and the close trade relations existing between Germany and America, we have been led to consider German coöperation as typical of all European coöperation. This is a fundamental mistake, and if we were to undertake to apply German coöperation directly it would undoubtedly meet with little approval in most parts of the United States. In the first place, the provision for unlimited liability is as objectionable to our democratic people as it is to those in France

and Great Britain, and secondly, the plan of starting with financial institutions and developing from that to societies for purchasing, marketing, insurance, etc., is reversing the natural order for our farmers. It is not likely to prove best for them to borrow money before they have learned by experience in what way they can use it to the best advantage, but rather they should start with coöperative societies for the purchasing of their supplies, jointly at wholesale, and the packing, grading, shipping and marketing of their produce in carload lots. After they have had a little experience in performing these operations in a small way, they will then feel the need of credit facilities to enable them to do it in a larger way, and they will then proceed to form themselves into credit unions or to establish credit departments in the then existing coöperative associations. And these associations will then be able to secure better accommodations from existing banks, and bring more business to these banks.

This has been the experience and mode of development of the coöperative societies in France, the British Isles, Denmark and most of the European countries which have more recently adopted the coöperative method of conducting their business, and this is the method under which the most successful coöperative enterprises in America have developed.

It has not been necessary for the citrus fruit exchanges in California to have an agricultural credit system at their command, nor even for the coöperative grain elevators of the middle west, before being able to carry on a successful coöperative business. The great coöperative consumers' societies of Great Britain have started without being backed by coöperative credit associations, and the coöperative Wholesale Society of London has finally provided its own banking department within itself. This does not mean that agricultural credit is not advantageous, but that it is not absolutely a necessary foundation with which to start.

9. *Coöperators who do not coöperate.* In organizing a coöperative association those who band themselves together to better their condition should keep clearly in mind the fact that the interests who have been treating them unfairly are naturally going to try to prevent them from succeeding, and they should determine from the very start that they are not going to allow their

association to be broken up by any acts of disloyalty. Great care should be taken to prevent any traitorous persons from being admitted to the society, and no member of the society should be fooled into thinking that the special inducements which may be offered them by parties interested in breaking up their coöperative association will be continued any longer than just sufficient to disband the members, after which conditions more onerous than before are sure to follow. Experience has clearly proved that it pays in the long run to resist temptation and stand by the association, and it is usually provided that all produce of the members that can be handled by the association shall be delivered to it.

10. *Object of coöperation*, and the standard of success. Agricultural business does not lend itself readily to the development of enormous profits. It differs in this respect from some of the other kinds of business which are so often exploited by joint stock corporations in which one or two promoters and a few of people at the head of the enterprise figure on making enormous profits with little effort and still having the business provide the stockholders with a reasonable rate of interest.

Where a number of farmers are already in business and just about making both ends meet under their present conditions, they can sometimes see that, by clubbing together and buying their supplies at wholesale and shipping their produce collectively, the economies to be effected in this way will result in a reasonable profit. This profit or saving, when divided among the members in proportion to the amount which each has contributed toward making it, may not be very large, but the farmers would not readily enter into any combination by which this profit might be almost entirely taken by a few. They know too much about their business to allow themselves to be taken advantage of in this way, and this appears to be the main reason why the coöperative form of corporation has been adopted so largely among farmers who have combined, instead of the joint stock form of corporation.

11. *New York State Agriculture* should lend itself readily to the kind of coöperation which has been almost universally successful in very European country, for the production and transformation, grading, packing, transportation and sale of dairy products, such as butter and other staple products of New York,

like eggs and fruit, are being handled over there to great advantage by coöperative associations.

Cold storage collecting stations in which perishable products can be properly handled near the point of production by coöperative associations of producers would go a long way toward preventing the loss of such perishable products as meats, poultry and fruit, thus preventing the necessity of condemning tons of valuable food products before they can reach the consumer, as happened this year in the case of poultry at Thanksgiving time. The U. S. Department of Agriculture has carried on a work of investigation, and maintains a service for advising shippers of perishable produce, which can best be taken advantage of by large private dealers or coöperative associations able to bear the expense of installing proper plant and equipment. It was clearly demonstrated this year that those who had taken the advice of this Bureau of the Department of Agriculture were successful in shipping poultry without deterioration or loss under the same weather conditions which caused the enormous loss upon shipments of poultry carelessly prepared for transportation.

12. *Federation and Coördination*, of local associations is absolutely necessary for the following reasons:

(a) Regulating power is given in matters of purchasing in large quantities and bringing influence to bear upon transportation companies and legislatures to insure proper treatment.

(b) To prevent overlapping in distribution and undue competition among the locals.

(c) To equalize the effect of overproduction in one locality and crop failure in another.

(d) To effect economies in management and minimize the overhead expenses applicable to the business of the locals.

(e) To maintain a central clearing house through which all local associations may be kept in touch with conditions in the several parts of the country and with markets, and movement of produce. The citrus fruit exchanges in California offer an excellent example of what has already been done in this country.

13. *Coöperation is Easy*. A case in point is that of the strawberry growers in Finisterre, France. The dealers in strawberries in England first established the market for French strawberries

by sending buyers to Brest and when French tradesmen in that city saw how easy it was, they started a small collecting and shipping business of their own. The farmers who produced the strawberries in this region, noticing how easy it was for the local tradesmen to collect and ship the fruit to England through a combination, decided to try a combination of their own. A very few of them formed a small coöperative society for grading, packing and marketing, and chartered a steamer just as they had seen the dealers in Brest do it, and were so successful in their first enterprise that another group of farmers followed their example, and the next year still another, so that finally there were three or four separate combinations, each with its own collecting station and its own chartered steamship, all shipping fruit to the British market at the same time and competing with one another. Of course the next step was a federation of all of them, a centralization of the collecting, grading and packing, a reduction in the number of people necessary to conduct the business and the final employment of just one set of steamships instead of three or four to carry on the transportation. This federation was accomplished by a union between the several coöperative associations and the result of it all has been that strawberry raising has become so profitable in this region that the amount of fruit produced has increased enormously.

14. *The meaning of coöperation.* The word "Coöperation" has been applied in so many different ways and there is such a confusion about its meaning, that many people think that they can not understand it, any more than they can socialism. Coöperation as applied to the business of farmers and consumers is generally summed up in the statement "each for all and all for each." A number of people similarly situated club together to give each member of the group the advantage of association with all the others, and all the members combine to benefit each of their members. They generally try to perform such operations for themselves in a better and more economical way than any outsiders can do it for them, and in spite of the fact that outsiders tell them that they do not know how to do business, and can not learn how — they go right ahead and do it just the same.

15. *How to Coöperate.* Under the laws governing Coöperative

Associations in New York State: “ Five or more persons may become a coöperative corporation for the purpose of conducting a general producing, manufacturing and merchandising business on the coöperative plan by making, signing, acknowledging and filing a certificate in the manner prescribed by law.”

The Bureau of Coöperative Associations in the New York State Department of Agriculture is prepared to send a representative to any community in the state in which five or more persons may desire to form a coöperative association, and advice will be given by a representative of this Bureau explaining exactly how to go about it. There are already many successful coöperative associations in operation in New York and the surrounding states, and the general opinion is developing, even among the heads of large joint-stock corporations that the coöperative form of combination is unusually well adapted to the business of the farmers and also to that of consumers.

COÖPERATIVE BUYING BY CONSUMERS

AN INTERESTING TRIAL OF THE ENGLISH PLAN IN MONTCLAIR,
N. J.

By Emerson P. Harris

There are several things about buying our daily necessities and occasional requirements which make purchasing unsatisfactory.

In the first place it is not easy to decide what one wants and ought to have, and when the decision is reached it is not easy to get what one wants and to know that he is getting it. In the purchase of foods one would be glad to feel that it was reasonably clean, but how can he?

Then in the matter of cost how can one get things as low as they can be legitimately sold? It is cold comfort to be made to believe occasionally that one has a bargain. For must not a bargain be either exceptional or at the expense of some other buyer?

One can hardly be a judge of all the articles which in these days enter into his requirements, he can not see them made, nor does he know what it costs to make them. How can the buyer who believes in real economy as a principle, get good value, clean honest goods, of full measure and at the lowest price? How can he get these things and the peace of mind which would go with the knowing?

He can ask the only expert with which he comes in contact, the dealer, but the dealer is confessedly biased. Can the dealer live who really puts himself in the place of the consumer, and advises him to buy the article upon which there is a small profit? Can the dealer habitually advise an inquirer to go to another store because his does not keep the article which is really best for the possible customer to buy?

In short, is not there an underlying antagonism between the interests of the dealer and those of the consumer? Does not the motive of the dealer whose interests depends upon swelling the profit, preclude his rendering the best possible service for the consumer?

What is the remedy?

When we passed from the days of hand made and home made, production was taken away from the consumer to a distant point where soil and climate or large unit power plants with automatic machinery made production cheaper by far. But the machinery which has grown up to bring producer and consumer together again is so poorly adapted to the purpose that, a large part of the economy of machine production is absorbed by the wastes of distribution so that the consumer suffers. And the machinery of distribution is in the hands of middle men whose profits depend upon swelling the difference between what the producer gets and what the consumer pays for the product.

Now both the producer and the consumer are interested in reducing the cost of distribution, but the middle men as a class profit most by keeping the cost up. Must we not, therefore, look for the remedy by putting the machinery of distribution in the hands of the two interests which seek to economize and make fundamentally efficient the processes of distribution. Does it not look as though the initial steps of distribution should be guided by the producer and the final steps by the consumer?

Instead of going out to seek commodities, consumers have waited for products to be pushed upon them by the middleman. The distributor in search of profit aggressively urges his wares and the machinery of aggressiveness is expensive to the consumer. Many articles formerly made in the kitchen are now made in the factory and brought back to the consumer with various expenses attached which make for the profit of the distributor but not for the service of the consumer. Goods which should be nutritious and pure as a matter of course, we can only get after paying a tax for telling us they are all right. This tax for disadvantageous advertising often costs a good percentage of the cost to produce the product.

There is a very general and growing feeling in favor of organization on the part of consumers to serve this mutual interest. The most simple form which the movement takes is the buying club. A number of families join, make a list of their requirements and designate some one person in the group to buy for them in quantities thus securing lower prices than would be paid at

retail. This crude effort puts the task of selection upon someone best fitted and lets him do the marketing for the whole group. In the club the feeling of mutuality of interests of consumers is developed. The members of the group come to see that a certain part of the work of selection and buying can be done for all at the same transaction with practically the same effort that each member of the group would have to put forth for himself alone.

But while the buying club is in the right direction it has certain weaknesses which tend to shorten its life. For one thing it does not buy in such a way as to get the lowest prices. Again the trouble of dividing up the purchases among the members of the group is too great to be done voluntarily and too small to be hired advantageously. These and various other weaknesses tend to offset the advantages to a very considerable extent. The increased initiative on the part of the consumer to reach out nearer the producer and the delegating to one such work as saves each one doing it for himself is advancing toward the goal.

The buying club enlarged in numbers and scope of action and systematized is essentially a coöperative store.

A buying club if it numbers even thirty or forty families might well come together in the form of a coöperative society. Such an organization would simplify and tend to make permanent the buying group. It is a mistake to assume that a coöperative store society need necessarily multiply expensive machinery. In fact that is the mistake made by many coöperative stores. No rents, salaries or other expenses should be incurred which are not justified by the necessity of the case. This direction of appropriate action seems to the writer the proper one to give the best idea of the scope of the coöperative store.

The Montclair, (N. J.) Coöperative Society with which the writer is connected started out on a scale sufficient to justify regular store equipment machinery and methods. We opened in the spring of 1912 with about three hundred members. To provide capital to buy fixtures and stock each member took as many ten dollar shares as he wished ranging from one share to twenty. This gave us a capital of about \$7,500, which has been increased by additional members to about \$9,300. Each member has but one vote no matter how many shares he may hold. From the first

profits 6 per cent. per annum is paid on stock holdings. All other profits except for small reserve are divided among members in proportion to their purchases at the store.

Goods are sold for cash only, and the prices are about the prices charged at other stores for like goods and service. We do not believe in cutting prices but in paying back all savings after the goods are paid for and the expenses met. The cut price plan usually comes to grief either because other stores temporarily make low prices, or because the coöperative store makes prices so low that it can not pay its expenses.

In other words we try to live up to the principles and practice of Rochdale Coöperative movement by which in England one-fourth of the people buy their supplies at a saving of about one-eighth, and get pure and honest goods.

A special feature of the Montclair store is the way in which it meets the problem of delivery of goods which in many cases is so wasteful and expensive. All members are credited with a discount of 5 per cent. upon their purchases to be paid at the end of the quarter. But from this discount is deducted before paying to each member what it has cost to deliver his goods to his house. To determine the cost per call the total expense of delivery for the three months is divided by the total number of calls made. Thus if a member has during the quarter bought \$100 worth of goods he gets credit for a discount of \$5. If he has had no deliveries he gets the full five dollars. If the wagon has called say thirty times and the cost has been found to be nine cents per call \$2.70 is deducted from the \$5 and a check sent for the remaining \$2.30.

Thus is the housewife given incentive to systematize her ordering and avoid having the wagon call two or three times as often as necessary. The member who carries goods home pays no delivery expenses and the cost of delivery is borne by those who use the service and in proportion to the use made of it. The system is simple, has been in use with us since we started and we think is a great step toward economy in distribution.

Our store is doing \$10,000 in business per month, groceries, fruits, vegetables and meats, employs some thirteen hands and is at this writing probably saving our members some 5 to 8 per cent.

on the cost of their food stuff in addition to giving better assurance of quality, cleanliness and purity. Larger savings can be made and many benefits conferred upon members as the system is perfected and the business enlarged, and we are able to buy in larger quantities. This latter we are aiming to do by federating a number of stores in a new company.

There are something like a score of coöperative stores around New York — most of which are small but there is a great interest in the movement and it is hoped that it may gain a firm foothold in eastern United States. For it promises much in the assurance it gives of pure goods at wholesale cost plus only the expense of handling which can be made very small by real and persistent coöperation of the membership and management. Already the cost of doing business at the Montclair store has been reduced to 13 per cent. on retail price including 3 per cent. for delivery of goods.

A FORM OF
BY-LAWS FOR COÖPERATIVE SOCIETIES

ARTICLE I

Name

The name of this corporation is Coöperative Society.

ARTICLE II

Location

The principal business place of this corporation shall be located in

ARTICLE III

Purposes

The purposes of this corporation are conducting a general producing, manufacturing and merchandising business on the coöperative plan in articles of common use, including farm products, food supplies, farm machinery and supplies, and articles of domestic and personal use.

(NOTE.—Any or all of these purposes may be specified).

ARTICLE IV

Directors

There shall be five directors, all of whom must be stockholders, who shall have general charge of all the business and property of the corporation.

ARTICLE V

Officers

The officers of this corporation shall be chosen from among the directors as soon as practicable after the annual meeting. They shall consist of a President, a Vice-President, a Secretary and a Treasurer.

(NOTE.—More than one Vice-President may be chosen if desired, and one person may fill the offices of both Secretary and Treasurer).

ARTICLE VI

Duties of Officers

The duties of the officers shall be those generally appertaining to the several offices and such additional duties as may be prescribed by the Board of Directors.

ARTICLE VII

Meetings

Sec. 1. The annual meeting of this corporation shall be held on the second Tuesday of January in each year at the principal business office of the corporation and other regular meetings shall be held on the last Saturday of May and November.

Sec. 2. Special meetings may be called at any time by the President or by order of the Board of Directors and must be called by the President at any time on the written request of ten or more stockholders.

Sec. 3. Quorum. A majority of all the stockholders in any special or regular meeting shall be required to constitute a quorum of stockholders, and a majority of the full number of directors shall be required to constitute a quorum of directors.

ARTICLE VIII

Capital Stock

The capital stock of this corporation shall consist of _____ dollars, which shall be represented by stock shares of the par value of five dollars each.

ARTICLE IX

Stockholders

Sec. 1. Any person owning one or more shares of the capital stock of the corporation, fully paid, shall be a stockholder and entitled to one vote at any regular or special meeting, but no stockholder shall be entitled to more than one vote, irrespective of the number of shares of stock owned by him.

Sec. 2. No person shall own capital stock of a greater aggregate par value than five thousand dollars.

ARTICLE X

Election of Directors

A full Board of Directors shall be elected at each annual meeting, but vacancies may be filled by the remaining members of this Board or by a special meeting of stockholders.

ARTICLE XI

Notice of Meeting

Sec. 1. A written or printed notice of all regular or special meetings shall be mailed by the secretary to each stockholder at his last known address at least ten days before the date of such meeting.

Sec. 2. The notice of a special meeting shall specify the business to be considered and transacted at such meeting.

ARTICLE XII

Voting

Any stockholder may vote by properly constituted proxy or in writing, providing the question upon which he votes in writing shall have been submitted to him printed or written and attached by him to his vote thereon.

ARTICLE XIII

Manager and Employees

The Board of Directors may employ and appoint a manager and such other employees as may be required for the business purposes of the corporation.

ARTICLE XIV

Dividends

Sec. 1. The Board of Directors may declare a dividend out of the net earnings of the business of the corporation not to exceed 6 per cent. per annum on the existing capital stock of the corporation.

Sec. 2. The Directors shall set aside annually at least 10 per cent. of the net earnings of the corporation as a reserve fund, until the reserve fund shall equal thirty per cent. of the paid up capital stock.

Reserve Fund

Sec. 4. A reserve fund of at least 20 per cent. of the capital stock, subscribed and paid for, shall be subscribed and paid to the Company at the same time.

Sec. 5. All dividends for a period of five years may be paid in capital stock at par.

ARTICLE XV

Fiscal Year

The fiscal year or corporation year shall be coincident with the calendar year.

ARTICLE XVI

Surety Bonds

Any officer or employee of the corporation shall give such fidelity or surety bonds as may be required by the Board of Directors.

ARTICLE XVII

Amendment

These by-laws may be amended at any regular or special meeting of the corporation, provided the proposed amendment shall have been submitted in writing to the stockholders with the notice of the meeting at which such amendment will be considered and acted upon. A majority vote of the stockholders present at such meeting shall be necessary to adopt such amendment.

(Form of certificate of incorporation.)

We, the undersigned, all being of full age and two-thirds being citizens of the United States and at least one resident of the State of New York, for the purpose of forming a corporation under article 3 of the Business Corporation Law, do hereby certify and set forth as follows:

First.—The name of the said corporation shall be Inc.

Second.—The purposes for which the corporation are to be formed are as follows:

1. Conducting a general producing, manufacturing and merchandising business on the coöperative plan (as limited in said article 3 of the Business Corporations Law) in articles of common use, including farm products, food supplies, farm machinery, supplies, and articles of domestic and personal use.

Third.—The amount of capital stock of said Company shall be dollars.

Fourth.—The number of shares composing said capital stock shall be _____ shares of par value of five dollars each and the amount of capital with which said Company shall begin business shall be _____ dollars.

Fifth.—The principal business office of the Company shall be located in the _____

Sixth.—The duration of the corporation shall be perpetual.

Seventh.—The number of Directors of said Corporation shall be _____ (not less than five) all of whom shall be stockholders.

Eighth.—The names and post office addresses of the subscribers to this certificate, and the number of shares of stock which each agrees to take in said corporation are as follows:

Names	Post Office Addresses	No. of Shares
.....
.....
.....
.....

IN WITNESS WHEREOF we have made, signed and acknowledged this certificate in duplicate this _____ day of _____ 1913.

(Acknowledgments.)

